GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:241
ANSWERED ON:13.03.2000
WORLD BANK REPORT ON POWER SECTOR
VARKALA RADHAKRISHNAN

Will the Minister of POWER be pleased to state:

(a) whether the World Bank in its recent report on India`s power sector says that `India`s Power Sector policies are environmentally harmful and financially unsustainable`;

(b) if so, the details in this regard; and

(c) the reaction of the Government thereto?

Answer

THE MINISTER OF POWER

(SHRI P.R. KUMARAMANGALAM)

(a) to (c) : A Statement is laid on the Table of the House.

STATEMENT
STATEMENTREFERREDTO IN REPLY TO PARTS (a) TO (c)OF STARREDQUESTIONNO.241 TO BE ANSWERED IN THE LOK SABHA ON 13.3.2000 REGARDING WORLD BANK REPORT ON POWER SECTOR.

(a) & (b) : The World Bank has published a document entitled `Meeting India`s future power needs`, in October, 1999 which states that without significant changes in power policy, by the year 2015,

(i) India will be producing SO2, Nox particulate emissions and ash at three times the current levels.

(ii) Ash disposal facilities around power plants will require one square metre of land per person.

(iii) Carbon-di-oxide emissions will be 775 million metric tons per year as compared with 1000 million metric tons per year produced by power generation in the entire European Union.

The document further states that price for electricity is distorted and that some sections of society are provided with electricity well below the costs of production. This practice leads to waste of electricity and also impairs the finances of the state electricity boards. The poor financial condition of the state electricity boards makes it difficult to invest in new plants and maintain existing plants properly, especially environmental control equipment not essential to plant operation.
(c) : The Government does not agree with the conclusions sought to be projected in the document in respect of the environmental issues. The extrapolation of the projection for the entire country on the basis of studies conducted only in the States of Bihar and Andhra Pradesh is inappropriate and unreliable. The per capita emissions of carbon dioxide in India are between one tenth and one twentieth of the per capita carbon dioxide emissions in developed countries. The Government is fully conscious of preserving the environment and has taken adequate measures to contain environmental degradation. Developed countries have already taken a disproportionate share of the carrying capacity of the atmosphere and their percapita energy consumption is ten to twenty times that of developing countries. Our energy generation and consumption has to increase for improving incomes and the basic quality of life. India has vast reserves of coal and the same have to be gainfully utilised for meeting the countries power needs. All power plants are established after obtaining full environmental clearance. The NTPC has obtained ISO 14001certification for environmental management system for its stations at Ramagundam and Dadri and is going in for the same in other stations also. The Government is also committed to promoting efficiency and the use of most efficient generating plants and pollution control technologies is bound to reduce the level of emissions. The efforts of energy conservation including demand side management will also reduce demand. The Fly Ash Mission is doing extensive work on optimum fly ash utilisation.

The Government is seized of the problem of the financial viability of the State Electricity Boards and has consequently focussed on the issue of reforms over the last two years. The Electricity Regulatory Commissions Act, 1998 has beenenacted to enable the establishment of a Central Electricity Regulatory Commission and State Electricity Regulatory Commissions, rationalisation of electricity tariff, transparent policies regarding subsidies and promotion of efficient and environmentally benign policies. The Central

Electricity Regulatory Commission was set up in 1998 and State Commissions have also been set up in 14 States. Power Ministers` Conference was convened on 26.2.2000 and a text of the resolutions at this Conference inaugurated by the Prime Minister is appended (Appendix).

APPENDIX

APPENDIX REFERRED TO IN PART (c) OF THE STATEMENT LAID IN REPLY TO STARRED QUESTION NO.241 TO BE ANSWERED IN THE LOK SABHA ON 13.3.2000.

RESOLUTIONS OF THE CHIEF MINISTERS/POWER MINISTERS CONFERENCE HELD ON 26.02.2000

The Power Ministers` Conference took note of the impending difficult situation facing the power supply industry in the country due to continuing decline in commercial viability of the sector as a whole. It noted the fact that:-

1. Outstanding dues of CPSUs have been increasing and have now reached Rs. 23,000 crores. This trend if maintained would adversely affect their current operations apart from inhibiting their future expansion plans.

2. Financial closure for private power projects is becoming increasingly difficult.

3. The states are unable to finance new projects on their own.

4. Increases in budgetary support from state governments as well as central government for this sector is not feasible due to fiscal deficits.

II. The primary factors responsible for this unsustainable financial situation are:

i) Theft and pilferage at the macro level are estimated to be over Rs.20,000 crores per annum.

ii) Technical losses in transmission & distribution for the country are also too high.

iii) Large number of the thermal stations in the state sector run at an operational efficiency of less than 40%.

iv) The average annual operational losses of the State Power Sector for the country is over as. 12,000 crores.

III. It was also recognised that the cross subsidies cannot be sustained if industrial tariffs make Industry non-competitive in the new environment of increasing globalisation with elimination of quantitative and other restrictions. It becomes necessary to ensure that Indian Industry is not handicapped by unsatisfactory power supply or by tariff which makes it non-competitive. Further, the consumer, including the farmer has a legitimate claim for uninterrupted good quality power supply. His willingness to pay reasonable costs is underestimated.

RESOLUTIONS

1. The Power Ministers` resolved after taking into account all the problems facing the power sector, that with the intention of achieving commercial viability and providing power at reasonable rate to all, reform must be undertaken with determination, vigor and a sense of urgency. Delay in reform only increases the financial cost of reforms, and the burden of liabilities only increases. Reforms must begin to show results within the next 2-3 years. The key elements of the reform strategy are :-

a. Energy Audit at all levels.

b. Time-bound programme of 100% metering of all consumers by December 2001.

c. Reduction and finally, elimination of power theft within a specified time frame.

d. Strengthening/upgradation of sub-transmission and distribution system by taking sub-station as an unit on a priority basis.

2. If the above appears unattainable in the existing set up corporatization/cooperatization/privatization of distribution, would have to be undertaken.

3. Since a large number of thermal stations within the State sector are running at a PLF below 40%, immediate Renovation & Modernisation including Life Extension would need to be undertaken on an urgent basis. Similarly, R&M/LE would require to be undertaken for old hydel power plants on priority.

4. Effective functioning of State Electricity Regulatory Commissions is essential for rationalization of tariff, and balancing the interests of the consumer and the need for commercial viability of the utilities in the environment where private sector participation in the industry is expected to gradually increase.

5. Unbundling and corporatization of State Electricity Boards/bench-marking through separate distribution profit centres/corporations/companies may facilitate the Regulatory Commissions in promoting competition within the power supply industry - competition being the key to lower prices.

6. It was noted that the power system network in country has an unmatched reach to consumers and with the installation of optic fibre

cables along the existing power lines using its right of way, it has the potential of generating very large resources in the coming years by providing facilities for multipurpose communication including cable TV, IT services, Telecom services. etc. Hence efforts need to be made to creatively tap this potential source of large revenue from convergence.

7. In order to promote reforms, a new draft central legislation which obviates the need for separate enactments for the States, is being considered. The draft Bill submitted by the NCAER would form the basis for a national debate and aconsensus on the contents of the new Bill. The States would be sending their detailed comments on this draft Bill, to the Ministry of Power at the earliest.